

Message Text

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PAGE 01 COLOMB 03564 301207Z

53

ACTION EB-07

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TAGS: ENRG, CE

SUBJC SRI LANKA OIL EXPLORATION

1. SUMMARY: CEYLON PETROLEUM CORP (CPC) CHAIRMAN COOMARASWAMY LATE OCT PUBLISHED STATEMENT CONCERNING PROGRESS OF RUSSIAN DRILLING EFFORTS AND REFERRING TO FURTHER OFF-SHORE POSSIBILITIES. ON BASIS DISCUSSIONS WITH HIM, OUR IMPRESSION IS THAT WESTERN OFF-SHORE DRILLING POSSIBILITIES ARE STILL ALIVE, BUT MAY BE INDEFINITELY DELAYED TO ALLOW RUSSIANS FULL OPPORTUNITY TO BRING IN COMMERCIAL CRUDE WELL. END SUMMARY.

2. STIMULATED BY RECENT CPC STATEMENT CONCERNING SRI LANKA OIL EXPLORATION AND SOME INQUIRIES FROM AMERICAN COMPANIES THAT HAVE MADE PROPOSALS TO CPC, EMBASSY ECONOMICS OFFICER MET IN OCT WITH COOMARASWAMY AND CPC VICE CHAIRMAN WITHANA. IN LATE OCT COOMARASWAMY MADE STATEMENT TO PRESS REPEATING THAT PRESENCE OF CRUDE "PROVED BEYOND DOUBT" BY PESALAI TEST DRILLING.

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PAGE 02 COLOMB 03564 301207Z

COOMARASWAMY, HOWEVER, WAS EVEN MORE EXPLICIT THAN IN

PAST STATEMENTS, DECLARING THAT RUSSIAN EXPERT KALINE "HAD CONFIRMED THAT OIL WAS AVAILABLE IN COMMERCIAL QUANTITIES." COOMARASWAMY AGAIN EXPLAINED PROPOSED DRILLING PROGRAM, SAYING THAT SEISMIC SURVEY WOULD BE UNDERTAKEN IN MANNAR BY RUSSIAN TEAM AND BASED ON ITS RESULTS FURTHER DRILLING WOULD BEGIN EARLY 1975 ON MANNAR ISLAND AND ON DELFT ISLAND. HE ADDED THAT MARINE SEISMIC SURVEY WOULD BE UNDERTAKEN IN PALK STRAIT BASIN AND GULF OF MANNAR BY RUSSIAN SHIP ARRIVING "THIS MONTH." ACCORDING TO PRESS IN SAME STATEMENT HE SAID "THEREAFTER OFF-SHORE DRILLING FOR OIL WOULD BE CARRIED OUT IN OTHER AREAS."

3. IN CONVERSATION WITH COOMARASWAMY AND WITHANA, EMBASSY OFFICER SAID EMBASSY HAD RECEIVED LETTERS FROM ZAPATA REP (MC MURRAY) AND MR WARREN SHEAR

(MILFRED ARGOSY CORP - OKLAHOMA CITY, OKLAHOMA). BOTH HAD MADE EXPLICIT PROPOSALS FOR OFF-SHORE EXPLORATION AND DRILLING IN RECENT MONTHS. EMBASSY OFFICER SAID WE WOULD LIKE TO RECONFIRM OUR EARLIER UNDERSTANDING THAT CPC AND GSL WERE RECEPTIVE TO OFF-SHORE PROPOSAL AND TO ENCOURAGE CPC TO MAKE AT LEAST INTERIM RESPONSE TO INTEREST AMERICAN FIRMS AND ASCERTAIN CURRENT STATUS OF DRILLING PROGRAM. WITH RESPECT FIRST TWO POINTS EMBASSY OFFICER POINTED OUT THAT LANGUAGE CONCERNING OFF-SHORE DRILLING IN OTHER AREAS APPEARED VERY CAREFULLY WORDED TO ALLOW POSSIBILITY THAT ENTERPRISES OTHER THAN RUSSIAN GROUP COULD PARTICIPATE. ALTHOUGH COOMARASWAMY GAVE NO FIRM COMMITMENT, HE INDICATED THAT GSL WOULD MAKE SOME RESPONSE TO AMERICAN INQUIRIES WITH RESPECT TO GSL POLICY. COOMARASWAMY ALSO SAID THAT ANY OTHER PROPOSALS FOR OTHER OFF-SHORE DRILLING WOULD BE RECEIVED AND CONSIDERED. HE SAID THAT AS WAS KNOWN CANADIAN PROPOSAL FOR NORTH-EASTERN OFF-SHORE AREA WAS NOW UNDER CONSIDERATION BY MINISTRY BUT HE GAVE NO INDICATION WHEN ACTION MIGHT BE TAKEN. EMBASSY OFFICER SAID THERE HAD BEEN SOME OTHER DEMONSTRATIONS OF INTEREST BY AMERICAN FIRMS AND ASKED WHETHER CPC WOULD LIMITED OFFICIAL USE

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PAGE 03 COLOMB 03564 301207Z

WELCOME FURTHER SPECIFIC PROPOSALS. ALTHOUGH COOMARASWAMY SHOWED NO GREAT ENTHUSIASM, HE DID SAY THEY WOULD BE WELCOME.

4. COMMENT: ALTHOUGH GSL OFFICIALS WILL NOT SAY IT, WE HAVE IMPRESSION THAT GSL UNDERSTANDING WITH RUSSIANS IS THAT THEY WILL HAVE FULL OPPORTUNITY TO PROVE WHETHER PESALAI WOULD SHOW COMMERCIAL POTENTIAL

BEFORE ANY SERIOUS CONSIDERATION OF WESTERN PROPOSALS.
BYRNE

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